

July 21, 2000

Ms. Linda Holtzscheiter, Reimbursement Manager
Mariner Post-Acute Network
15415 Katy Freeway, Suite 800
Houston, Texas 77094

Re: AC# 3-BCC-J8 – Brian Center of Central Columbia, Inc.
d/b/a Brian Center Nursing Care/Columbia

Dear Ms. Holtzscheiter:

Our report for Brian Center Nursing Care/Columbia – AC# 3-BCC-J8 issued on July 17, 2000, contains an error. Captions, “Adjusted reimbursement rate” and “Interim reimbursement rate” shown on Exhibit A, Page 3 were reversed. The amounts and calculations on this Exhibit are correct.

We are enclosing a corrected copy of this report with this letter. Please return the incorrect report to our office for disposal. We regret the inconvenience this error has caused you.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/trb

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Ms. Linda Holtzscheiter, Reimbursement Manager
Mariner Post-Acute Network
15415 Katy Freeway, Suite 800
Houston, Texas 77094

Re: AC# 3-BCC-J8 – Brian Center of Central Columbia, Inc.
d/b/a Brian Center Nursing Care/Columbia

Dear Ms. Holtzscheiter:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract periods beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

**BRIAN CENTER OF CENTRAL COLUMBIA, INC.
D/B/A BRIAN CENTER NURSING CARE/COLUMBIA**

COLUMBIA, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1999
AC# 3-BCC-J8**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

April 6, 2000

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Brian Center of Central Columbia, Inc. d/b/a Brian Center Nursing Care/Columbia, for the contract periods beginning October 1, 1999, and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Brian Center of Central Columbia, Inc. d/b/a Brian Center Nursing Care/Columbia, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Brian Center of Central Columbia, Inc. d/b/a Brian Center Nursing Care/Columbia Health Care dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
April 6, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

BRIAN CENTER NURSING CARE/COLUMBIA

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1999
AC# 3-BCC-J8

Interim reimbursement rate (1)	\$96.30
Adjusted reimbursement rate	<u>91.54</u>
Decrease in reimbursement rate	\$ <u>4.76</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999

BRIAN CENTER NURSING CARE/COLUMBIA
Computation of Adjusted Reimbursement Rate
For the Contract Periods Beginning October 1, 1999
AC# 3-BCC-J8

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$44.12	\$50.88	
Dietary		8.69	9.69	
Laundry/Housekeeping/Maintenance		<u>8.73</u>	<u>8.24</u>	
Subtotal	<u>\$4.82</u>	61.54	68.81	\$61.54
Administration & Medical Records	<u>\$3.64</u>	<u>7.92</u>	<u>11.56</u>	<u>7.92</u>
Subtotal		69.46	<u>\$80.37</u>	69.46
<u>Costs Not Subject to Standards:</u>				
Utilities		1.65		1.65
Special Services		2.36		2.36
Medical Supplies & Oxygen		4.60		4.60
Taxes and Insurance		1.99		1.99
Legal Fees		<u>.04</u>		<u>.04</u>
TOTAL		<u>\$80.10</u>		80.10
Inflation Factor (3.00%)				2.40
Cost of Capital				7.02
Cost of Capital Limitation				(1.15)
Profit Incentive (Max. 3.5% of Allowable Cost)				2.80
Cost Incentive				4.82
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.87)
CNA Add-On				.75
Nurse Aide Staffing Add-On				<u>.67</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$91.54</u>

BRIAN CENTER NURSING CARE/COLUMBIA
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-BCC-J8

<u>Expenses</u>	<u>Totals (From Schedule SC 13) as Adjusted by DH&HS</u>	<u>Adjustments Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$4,383,655	\$ 984 (1)	\$ 211 (3) 20,445 (4) 5,738 (4) 776 (5) 801 (6) 1,464 (6) 340,756 (7)	\$4,014,448
Dietary	804,100	4,290 (6)	3,616 (3) 7,646 (4) 6,479 (5)	790,649
Laundry	195,335		2,156 (4)	193,179
Housekeeping	310,942	988 (8)	1,687 (3) 3,011 (4) 1,264 (9)	305,968
Maintenance	306,483	916 (8)	6,239 (3) 4,671 (4) 36 (6) 1,172 (9)	295,281
Administration and Medical Records	799,070	7,781 (4) 117 (4) 923 (8)	85,898 (6) 729 (6) 983 (9)	720,281
Utilities	149,597	373 (6) 447 (8)	595 (9)	149,822
Special Services	73,360	66,481 (10) 145,436 (12)	820 (4) 69,628 (5)	214,829
Medical Supplies & Oxygen	496,814	21,030 (10)	58,197 (2) 19,489 (3) 21,284 (5)	418,874
Taxes and Insurance	185,343	531 (8)	4,069 (6) 703 (9)	181,102

BRIAN CENTER NURSING CARE/COLUMBIA
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-BCC-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Legal Fees	3,571	4 (8)	6 (9)	3,569
Cost of Capital	658,421	31,684 (6) 523 (8) <u>20,765 (11)</u>	71,432 (1) 858 (9)	639,103
Subtotal	8,366,691	303,273	742,859	7,927,105
Ancillary	289,666	-	-	289,666
Non Allowable	863,494	70,448 (1) 58,197 (2) 36,589 (4) 98,167 (5) 56,650 (6) 5,581 (9)	4,332 (8) 87,511 (10) 20,765 (11) 145,436 (12)	931,082
Total Operating Expenses	<u>\$9,519,851</u>	<u>\$628,905</u>	<u>\$1,000,903</u>	<u>\$9,147,853</u>
Total Patient Days	<u>90,991</u>	<u>-</u>	<u>-</u>	<u>90,991</u>
Total Beds	<u>257</u>			

BRIAN CENTER NURSING CARE/COLUMBIA
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-BCC-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 239,271	
	Other Equity	919,120	
	Restorative	984	
	Nonallowable	70,448	
	Fixed Assets		\$1,158,391
	Cost of Capital		71,432
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	58,197	
	Medical Supplies		58,197
	To disallow expense due to lack of documentation HIM-15-1, Section 2304		
3	Retained Earnings	31,242	
	Nursing		211
	Dietary		3,616
	Housekeeping		1,687
	Maintenance		6,239
	Medical Supplies		19,489
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
4	Nonallowable	36,589	
	Administration	7,781	
	Medical Records	117	
	Nursing		20,445
	Restorative		5,738
	Dietary		7,646
	Laundry		2,156
	Housekeeping		3,011
	Maintenance		4,671
	Special Services		820
	To disallow health insurance expense due to lack of documentation HIM-15-1, Section 2304		

BRIAN CENTER NURSING CARE/COLUMBIA
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-BCC-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable	98,167	
	Nursing		776
	Dietary		6,479
	Medical Supplies		21,284
	Special Services		69,628
	To adjust expense to cost of related organization HIM-15-1, Section 1000		
6	Dietary	4,290	
	Utilities	373	
	Cost of Capital	31,684	
	Nonallowable	56,650	
	Nursing		801
	Restorative		1,464
	Maintenance		36
	Administration		85,898
	Medical Records		729
	Taxes and Insurance		4,069
	To adjust home office cost allocation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Bed Hold Revenue	340,756	
	Nursing		340,756
	To properly offset revenue against related expense HIM-15-1, Sections 2105.3 and 2328		
8	Housekeeping	988	
	Maintenance	916	
	Administration	923	
	Legal	4	
	Utilities	447	
	Taxes and Insurance	531	
	Cost of Capital	523	
	Nonallowable		4,332
	To reverse DH&HS adjustment to remove indirect costs applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

BRIAN CENTER NURSING CARE/COLUMBIA
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-BCC-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Nonallowable	5,581	
	Housekeeping		1,264
	Maintenance		1,172
	Administration		983
	Legal		6
	Utilities		595
	Taxes and Insurance		703
	Cost of Capital		858
	To remove indirect costs applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
10	Medical Supplies	21,030	
	Special Services	66,481	
	Nonallowable		87,511
	To adjust special (ancillary) services to allowable State Plan, Attachment 4.19D		
11	Cost of Capital	20,765	
	Nonallowable		20,765
	To adjust capital return to allowable State Plan, Attachment 4.19D		
12	Special Services	145,436	
	Nonallowable		145,436
	To adjust co-insurance for Medicare Part B services to allowable State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$2,159,294</u>	<u>\$2,159,294</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

BRIAN CENTER NURSING CARE/COLUMBIA
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-BCC-J8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.2493</u>
Deemed Asset Value (Per Bed)	35,130
Number of Beds	<u>257</u>
Deemed Asset Value	9,028,410
Improvements Since 1981	1,283,446
Accumulated Depreciation at 9/30/98	(2,404,802)
Deemed Depreciated Value	7,907,054
Market Rate of Return	<u>0.063</u>
Total Annual Return	498,144
Return Applicable to Non-Reimbursable Cost Centers	(1,925)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>304</u>
Allowable Annual Return	496,523
Depreciation Expense	143,312
Amortization Expense	709
Capital Related Income Offsets	(583)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(858)</u>
Allowable Cost of Capital Expense	639,103
Total Patient Days (Minimum 97% Occupancy)	<u>90,991</u>
Cost of Capital Per Diem	\$ <u><u>7.02</u></u>

BRIAN CENTER NURSING CARE/COLUMBIA
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-BCC-J8

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 1.88
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>5.87</u>
Reimbursable Cost of Capital Per Diem	\$ 5.87
Cost of Capital Per Diem	<u>7.02</u>
Cost of Capital Per Diem Limitation	\$ <u>(1.15)</u>